



TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Coldsprings	County Kalkaska
Audit Date March 31, 2005	Opinion Date June 23, 2005	Date Accountant Report Submitted to State: September 7, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

June 23, 2005

To the Township Board
Township of Coldsprings
Kalkaska County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Coldsprings, Kalkaska County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Coldsprings's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Coldsprings, Kalkaska County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Coldsprings covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$747,949.29 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$382,620.58 from governmental activities.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, Improvement Fund, Building Fund, P & J Assessment Fund, Refuse Fund and the Current Tax Collection Fund.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Improvement Fund, Building Fund, P & J Assessment Fund, and the Refuse Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year net assets increased by \$104,275.99.

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant is fire protection which incurred expenditures of \$102,654.27.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at (231) 587-8460 or (231) 587-8633.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	527 939 79
Taxes receivable	21 325 09
Special assessments receivable	<u>63 00</u>
Total Current Assets	<u>549 327 88</u>
NON-CURRENT ASSETS:	
Capital Assets	312 000 00
Less: Accumulated Depreciation	<u>(104 000 00)</u>
Total Non-current Assets	<u>208 000 00</u>
TOTAL ASSETS	<u><u>757 327 88</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>9 378 59</u>
Total Current Liabilities	<u>9 378 59</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>9 378 59</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	208 000 00
Unrestricted	<u>539 949 29</u>
Total Net Assets	<u>747 949 29</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>757 327 88</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	26 138 24	-	(26 138 24)
General government	86 054 74	33 467 31	(52 587 43)
Public safety	102 654 27	-	(102 654 27)
Public works	63 022 34	1 386 00	(61 636 34)
Culture and recreation	475 00	-	(475 00)
Total Governmental Activities	<u>278 344 59</u>	<u>34 853 31</u>	<u>(243 491 28)</u>
General Revenues:			
Property taxes			228 974 35
Other taxes			4 706 76
State revenue sharing			101 571 83
Interest			9 059 33
Miscellaneous			<u>3 455 00</u>
Total General Revenues			<u>347 767 27</u>
Change in net assets			104 275 99
Net assets, beginning of year			<u>643 673 30</u>
Net Assets, End of Year			<u>747 949 29</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Refuse</u>	<u>Improvement</u>
<u>Assets</u>			
Cash in bank	331 609 83	65 766 77	121 695 71
Taxes receivable	14 428 39	6 896 70	-
Special assessments receivable	-	-	-
Due from other funds	<u>739 57</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>346 777 79</u></u>	<u><u>72 663 47</u></u>	<u><u>121 695 71</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Deferred revenue	<u>9 378 59</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>9 378 59</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>337 399 20</u>	<u>72 663 47</u>	<u>121 695 71</u>
Total fund equity	<u><u>337 399 20</u></u>	<u><u>72 663 47</u></u>	<u><u>121 695 71</u></u>
Total Liabilities and Fund Equity	<u><u>346 777 79</u></u>	<u><u>72 663 47</u></u>	<u><u>121 695 71</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
8 127 91	527 200 22
-	21 325 09
63 00	63 00
-	739 57
<u>8 190 91</u>	<u>549 327 88</u>

-	9 378 59
-	9 378 59

<u>8 190 91</u>	<u>539 949 29</u>
<u>8 190 91</u>	<u>539 949 29</u>
<u>8 190 91</u>	<u>549 327 88</u>

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 539 949 29

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	312 000 00
Accumulated depreciation	<u>(104 000 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 747 949 29

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Refuse</u>	<u>Improvement</u>
Revenues:			
Property taxes	154 259 35	74 715 00	-
Other taxes	4 706 76	-	-
State revenue sharing	101 571 83	-	-
Charges for services – PTAF	20 113 61	-	-
Charges for services – other	13 353 70	-	-
Interest	5 954 10	-	3 075 15
Special assessments	-	-	-
Miscellaneous	3 455 00	-	-
	<u>303 414 35</u>	<u>74 715 00</u>	<u>3 075 15</u>
Total revenues			
	<u>303 414 35</u>	<u>74 715 00</u>	<u>3 075 15</u>
Expenditures:			
Legislative:			
Township Board	26 138 24	-	-
General government:			
Supervisor	7 655 82	-	-
Elections	4 939 91	-	-
Assessor	16 115 93	-	-
Clerk	16 039 31	-	-
Board of Review	855 05	-	-
Treasurer	19 439 12	-	-
Building and grounds	12 537 60	-	-
Cemetery	472 00	-	-
Public safety:			
Fire protection	102 654 27	-	-
Public works:			
Highways and streets	1 760 00	-	-
Sanitation	-	60 833 34	-
Culture and recreation:			
Parks and recreation	475 00	-	-
	<u>209 082 25</u>	<u>60 833 34</u>	<u>-</u>
Total expenditures			
	<u>209 082 25</u>	<u>60 833 34</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>94 332 10</u>	<u>13 881 66</u>	<u>3 075 15</u>
Other financing sources (uses):			
Operating transfers in	272 00	-	35 000 00
Operating transfers out	(35 000 00)	-	-
Total other financing sources (uses)	<u>(34 728 00)</u>	<u>-</u>	<u>35 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	59 604 10	13 881 66	38 075 15
Fund balances, April 1	<u>277 795 10</u>	<u>58 781 81</u>	<u>83 620 56</u>
Fund Balances, March 31	<u><u>337 399 20</u></u>	<u><u>72 663 47</u></u>	<u><u>121 695 71</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
-	228 974 35
-	4 706 76
-	101 571 83
-	20 113 61
-	13 353 70
30 08	9 059 33
1 386 00	1 386 00
-	3 455 00
<u>1 416 08</u>	<u>382 620 58</u>
-	26 138 24
-	7 655 82
-	4 939 91
-	16 115 93
-	16 039 31
-	855 05
-	19 439 12
-	12 537 60
-	472 00
-	102 654 27
429 00	2 189 00
-	60 833 34
-	475 00
<u>429 00</u>	<u>270 344 59</u>
<u>987 08</u>	<u>112 275 99</u>
-	35 272 00
<u>(272 00)</u>	<u>(35 272 00)</u>
<u>(272 00)</u>	-
715 08	112 275 99
<u>7 475 83</u>	<u>427 673 30</u>
<u>8 190 91</u>	<u>539 949 29</u>

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS

112 275 99

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense
Capital Outlay

(8 000 00)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

104 275 99

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Coldsprings, Kalkaska County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Coldsprings. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township of Coldsprings and the Township of Excelsior have formed the Coldsprings-Excelsior Volunteer Fire and Rescue Department. The Fire Department operates as a separate entity. For the year ended March 31, 2005, the Township paid \$102,654.27 to the Fire Department. Financial statements of the Fire Department may be obtained from them.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Operating supplies for all funds are recorded as an expenditure when acquired. Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 3.8094 mills, and the taxable value was \$60,077,716.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-30 years
---------------------------------------	-------------

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$208,000.00.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>527 939 79</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	228 288 54
Uninsured and Uncollateralized	<u>320 672 66</u>
Total Deposits	<u>548 961 20</u>

The Township of Coldsprings did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Buildings	<u>312 000 00</u>	-	-	<u>312 000 00</u>
Total	312 000 00	-	-	312 000 00
Accumulated Depreciation	<u>(96 000 00)</u>	<u>(8 000 00)</u>	-	<u>(104 000 00)</u>
Net Capital Assets	<u>216 000 00</u>	<u>(8 000 00)</u>	-	<u>208 000 00</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan which covers substantially all employees. The Township's contributions during the fiscal year ended March 31, 2005, were \$2,494.36.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 8 – Building Permits

The Township of Coldsprings does not issue building permits. Building permits are issued by the County of Kalkaska.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	739 57	Current Tax Collection	739 57
Total	<u>739 57</u>	Total	<u>739 57</u>

Note 10 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	272 00	P & J Assessment	272 00
Improvement	35 000 00	General	35 000 00
Total	<u>35 272 00</u>	Total	<u>35 272 00</u>

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	151 262 00	155 023 21	154 259 35	(763 86)
Other taxes	3 637 00	4 744 53	4 706 76	(37 77)
State revenue sharing	91 000 00	101 624 00	101 571 83	(52 17)
Charges for services:				
Property tax administration	16 000 00	16 000 00	20 113 61	4 113 61
Other	13 500 00	13 500 00	13 353 70	(146 30)
Interest	3 000 00	3 997 47	5 954 10	1 956 63
Miscellaneous	5 228 00	5 525 12	3 455 00	(2 070 12)
Total revenues	<u>283 627 00</u>	<u>300 414 33</u>	<u>303 414 35</u>	<u>3 000 02</u>
Expenditures:				
Legislative:				
Township Board	35 900 00	35 900 00	26 138 24	(9 761 76)
General government:				
Supervisor	7 851 76	7 851 76	7 655 82	(195 94)
Elections	9 350 00	9 350 00	4 939 91	(4 410 09)
Assessor	15 900 00	16 700 00	16 115 93	(584 07)
Clerk	16 302 72	16 302 75	16 039 31	(263 44)
Board of Review	1 300 00	1 300 00	855 05	(444 95)
Treasurer	20 290 86	20 290 86	19 439 12	(851 74)
Building and grounds	20 200 00	20 200 00	12 537 60	(7 662 40)
Cemetery	2 000 00	2 000 00	472 00	(1 528 00)
Public safety:				
Fire protection	99 960 00	102 654 27	102 654 27	-
Public works:				
Highways and streets	4 500 00	4 500 00	1 760 00	(2 740 00)
Culture and recreation:				
Parks and recreation	3 200 00	3 200 00	475 00	(2 725 00)
Contingency	25 000 00	24 200 00	-	(24 200 00)
Total expenditures	<u>261 755 34</u>	<u>264 449 64</u>	<u>209 082 25</u>	<u>(55 367 39)</u>
Excess (deficiency) of revenues over expenditures	<u>21 871 66</u>	<u>35 964 69</u>	<u>94 332 10</u>	<u>58 367 41</u>
Other financing sources (uses):				
Operating transfers in	-	-	272 00	272 00
Operating transfers out	-	-	(35 000 00)	(35 000 00)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(34 728 00)</u>	<u>(34 728 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>21 871 66</u>	<u>35 964 69</u>	<u>59 604 10</u>	<u>23 639 41</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>277 795 10</u>	<u>277 795 10</u>
Fund Balance, March 31	<u>21 871 66</u>	<u>35 964 69</u>	<u>337 399 20</u>	<u>301 434 51</u>

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – REFUSE FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	<u>7 900 00</u>	<u>76 092 17</u>	<u>74 715 00</u>	<u>(1 377 17)</u>
Total revenues	<u>7 900 00</u>	<u>76 092 17</u>	<u>74 715 00</u>	<u>(1 377 17)</u>
Expenditures:				
Public works:				
Sanitation	<u>50 000 00</u>	<u>66 300 00</u>	<u>60 833 34</u>	<u>(5 466 66)</u>
Total expenditures	<u>50 000 00</u>	<u>66 300 00</u>	<u>60 833 34</u>	<u>(5 466 66)</u>
Excess (deficiency) of revenues over expenditures	(42 100 00)	9 792 17	13 881 66	4 089 49
Fund balance, April 1	<u>42 100 00</u>	<u>-</u>	<u>58 781 81</u>	<u>58 781 81</u>
Fund Balance, March 31	<u>-</u>	<u>9 792 17</u>	<u>72 663 47</u>	<u>62 871 30</u>

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – IMPROVEMENT FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	<u>1 500 00</u>	<u>2 260 18</u>	<u>3 075 15</u>	<u>814 97</u>
Total revenues	<u>1 500 00</u>	<u>2 260 18</u>	<u>3 075 15</u>	<u>814 97</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1 500 00</u>	<u>2 260 18</u>	<u>3 075 15</u>	<u>814 97</u>
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>35 000 00</u>	<u>35 000 00</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>35 000 00</u>	<u>35 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>1 500 00</u>	<u>2 260 18</u>	<u>38 075 15</u>	<u>35 814 97</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>83 620 56</u>	<u>83 620 56</u>
Fund Balance, March 31	<u><u>1 500 00</u></u>	<u><u>2 260 18</u></u>	<u><u>121 695 71</u></u>	<u><u>119 435 53</u></u>

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	
Wages	4 165 00
Audit	2 800 00
Payroll taxes	1 358 04
Dues	1 052 93
Supplies	2 578 98
Printing and publishing	380 54
Pension	2 494 36
Legal fees	3 091 65
Insurance	4 796 00
Miscellaneous	3 420 74
	26 138 24
Supervisor:	
Wages	7 201 76
Supplies	143 40
Travel	241 66
Transportation	69 00
	7 655 82
Elections:	
Wages	3 206 50
Supplies	874 67
Postage	446 50
Miscellaneous	412 24
	4 939 91
Assessor:	
Contracted services	13 729 20
Miscellaneous	2 386 73
	16 115 93
Clerk:	
Wages	11 202 72
Deputy wages	450 00
Supplies	2 525 91
Travel	1 281 68
Miscellaneous	579 00
	16 039 31
Board of Review:	
Wages	477 00
Miscellaneous	378 05
	855 05
Treasurer:	
Wages	10 325 88
Deputy wages	500 00
Supplies	5 070 40
Travel	1 935 84
Miscellaneous	1 607 00
	19 439 12
Building and grounds:	
Wages	1 660 50
Contracted services	2 714 00
Utilities	3 744 88
Supplies	1 250 73
Repairs and maintenance	345 60
Miscellaneous	2 821 89
	12 537 60

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Cemetery: Miscellaneous	<u>472 00</u>
Fire protection: Contracted services	<u>102 654 27</u>
Highways and streets: Contracted services	<u>1 760 00</u>
Parks and recreation: Supplies	<u>475 00</u>
Total Expenditures	<u><u>209 082 25</u></u>

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2005

<u>Assets</u>	<u>P & J Assessment</u>	<u>Refuse</u>	<u>Improvement</u>
Cash in bank	783 75	65 766 77	121 695 71
Taxes receivable	-	6 896 70	-
Special assessment receivable	63 00	-	-
Total Assets	<u>846 75</u>	<u>72 663 47</u>	<u>121 695 71</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	-	-	-
Fund balances:			
Unreserved:			
Undesignated	846 75	72 663 47	121 695 71
Total fund balances	<u>846 75</u>	<u>72 663 47</u>	<u>121 695 71</u>
Total Liabilities and Fund Balances	<u>846 75</u>	<u>72 663 47</u>	<u>121 695 71</u>

<u>Building</u>	<u>Total</u>
7 344 16	195 590 39
-	6 896 70
-	63 00
<u>7 344 16</u>	<u>202 550 09</u>
-	-
<u>7 344 16</u>	<u>202 550 09</u>
<u>7 344 16</u>	<u>202 550 09</u>
<u>7 344 16</u>	<u>202 550 09</u>

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>P & J Assessment</u>	<u>Refuse</u>	<u>Improvement</u>
Revenues:			
Property taxes	-	74 715 00	-
Interest	-	-	3 075 15
Special assessments	<u>1 386 00</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1 386 00</u>	<u>74 715 00</u>	<u>3 075 15</u>
Expenditures:			
Public works:			
Highways and streets:			
Contracted services	429 00	-	-
Sanitation:			
Contracted services	<u>-</u>	<u>60 833 34</u>	<u>-</u>
Total expenditures	<u>429 00</u>	<u>60 833 34</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>957 00</u>	<u>13 881 66</u>	<u>3 075 15</u>
Other financing sources (uses):			
Operating transfers in	-	-	35 000 00
Operating transfers out	<u>(272 00)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(272 00)</u>	<u>-</u>	<u>35 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	685 00	13 881 66	38 075 15
Fund balances, April 1	<u>161 75</u>	<u>58 781 81</u>	<u>83 620 56</u>
Fund Balances, March 31	<u><u>846 75</u></u>	<u><u>72 663 47</u></u>	<u><u>121 695 71</u></u>

<u>Building</u>	<u>Total</u>
-	74 715 00
30 08	3 105 23
-	<u>1 386 00</u>
<u>30 08</u>	<u>79 206 23</u>
-	429 00
-	<u>60 833 34</u>
-	<u>61 262 34</u>
<u>30 08</u>	<u>17 943 89</u>
-	35 000 00
-	<u>(272 00)</u>
-	<u>34 728 00</u>
30 08	52 671 89
<u>7 314 08</u>	<u>149 878 20</u>
<u><u>7 344 16</u></u>	<u><u>220 550 09</u></u>

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>567 60</u>	<u>2 060 520 88</u>	<u>2 060 348 91</u>	<u>739 57</u>
<u>Liabilities</u>				
Due to other funds	567 60	228 793 82	228 621 85	739 57
Due to other units	<u>-</u>	<u>1 831 727 06</u>	<u>1 831 727 06</u>	<u>-</u>
Total Liabilities	<u>567 60</u>	<u>2 060 520 88</u>	<u>2 060 348 91</u>	<u>739 57</u>

TOWNSHIP OF COLDSPRINGS
Kalkaska County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash in bank – beginning of year	<u>567 60</u>
Cash receipts:	
Property tax	2 059 394 04
Interest	<u>1 126 84</u>
Total cash receipts	<u>2 060 520 88</u>
Total beginning balance and cash receipts	<u>2 061 088 48</u>
Cash disbursements:	
Township General Fund	160 437 14
Township Refuse Fund	68 184 71
Kalkaska County	716 551 31
Kalkaska Public Transportation	13 340 22
Kalkaska Mental Health Center	92 692 59
T.B.A. ISD	166 476 47
Kalkaska PS	505 294 99
Mancelona PS	331 470 15
Refunds	<u>5 901 33</u>
Total cash disbursements	<u>2 060 348 91</u>
Cash in Bank – End of Year	<u><u>739 57</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 23, 2005

To the Township Board
Township of Coldsprings
Kalkaska County, Michigan

We have audited the financial statements of the Township of Coldsprings for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Coldsprings in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Coldsprings
Kalkaska County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Coldsprings began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Coldsprings
Kalkaska County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants